

Message Text

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PAGE 01 BRUSSE 05964 101843Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00
DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03
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P 101834Z JUN 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 0210
INFO USMISSION GENEVA

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USEEC

PASS AGRICULTURE AND STR ELECTRONICALLY
GENEVA FOR USMTN

E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: GROUP AGRICULTURE

REF: (A) EC BRUSSELS 2590, (B) GENEVA 4563

1. WE READ PARAGRAPH 4A AND B OF REFTEL B WITH INTEREST
AND SOME ENCOURAGEMENT. WHILE OUR JUDGMENT HAS BEEN
DIFFERENT (SEE PARAGRAPH 6 OF REFTEL A) AND WHILE IT CAN
STILL BE ASKED IF GENEVA'S APPROACH WILL BE ANY EASIER
TO ACHIEVE THAN APPLICATION OF A TARIFF-CUTTING FORMULA
TO NON-VARIABLE LEVY AGRICULTURAL PRODUCTS, WE RECOGNIZE
THAT THE EC MAY INTEND TO INTRODUCE NEW ELEMENTS. THUS
THE TIME BETWEEN NOW AND GUNDELACH'S JULY 14 VISIT SHOULD
BE USED FOR CAREFUL REASSESSMENT IN PREPARATION FOR
DECISIONS IN JULY CONSIDERING, FOR EXAMPLE, FALLING
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PAGE 02 BRUSSE 05964 101843Z

BACK TO GENEVA'S REQUEST/OFFER APPROACH IF OUR TARIFF-
CUTTING FORMULA IS UNACCEPTABLE TO GUNDELACH.

2. WE ARE, HOWEVER, GREATLY CONCERNED ABOUT APPROACH TO
SUBSIDIES SUGGESTED IN PARAGRAPH 5 OF REF B. WE FIND
MTN GENEVA'S (AND GREY'S) RATIONALE FAVORING EXCLUSIVE
(OR EVEN PRIMARY) RELIANCE ON SUBSIDIES/COUNTERVAIL CODE

AS THE VEHICLE FOR IMPOSING DISCIPLINE ON EC USE OF
SUBSIDIES WEAK FOR FOLLOWING REASONS:

A. WE DO NOT BELIEVE IT TO BE NEGOTIABLE WITH EC.
WE HAVE NO REASON TO BELIEVE THEY WILL AGREE TO DISCIPLINE
OVER SUBSIDY PRACTICES ON CEREALS IN THE ABSENCE OF A
COMPREHENSIVE COMMODITY AGREEMENT. MEAT, ESPECIALLY
CANNED HAMS, AND DAIRY, ESPECIALLY CHEESE, POSE DISTINCTIV
PROBLEMS, WHICH ALMOST CERTAINLY WILL REQUIRE PRODUCT-
SPECIFIC SOLUTIONS.

B. IN CEREALS, WHERE OUR MAJOR INTEREST LIES, WE
HAVE CONSIDERABLY MORE NEGOTIATING LEVERAGE TO GET
DISCIPLINE ON EC GRAIN EXPORT SUBSIDIES THAN WE WOULD
IN A CODE. EC WANTS AN AGREEMENT WHICH STABILIZES
PRICES THROUGH USE OF FLOOR AND CEILING PRICE TRIGGERS.
OUR AGREEMENT TO THAT PRINCIPLE SHOULD BE PRESENTED AS
A MAJOR US CONCESSION, FOR WHICH WE REQUIRE IN RETURN
EFFECTIVE DISCIPLINES ON EC GRAIN EXPORT SUBSIDIES TO
MINIMIZE DISRUPTION OF OUR TRADE IN THIRD MARKETS. IF
WE DO NOT PLAY THAT CARD IN NEGOTIATING A GRAINS AGREE-
MENT, WE WOULD LOSE MOST OF THE LEVERAGE WE HAVE.

C. FINALLY, IT SHOULD BE STRESSED THAT INCLUSION
OF RULES ON SUBSIDIES IN EACH COMMODITY AGREEMENT,
TAILORED TO THE SPECIFIC PROBLEMS IN TRADE IN THAT
COMMODITY, NEED NOT PRECLUDE INCLUSION OF THOSE COMMODITY-
SPECIFIC RULES IN A BROADER CODE. INDEED, THE CODE
SHOULD INCLUDE THOSE RULES BY REFERENCE TO THE SPECIFIC
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PAGE 03 BRUSSE 05964 101843Z

AGREEMENTS. BUT TO TRY TO NEGOTIATE RULES IN A CODE
APART FROM ARRANGEMENTS FOR TRADE IN THE PARTICULAR
AGRICULTURAL PRODUCTS INVOLVED IS, IN OUR VIEW,
UNREALISTIC. EXPORT SUBSIDIES ARE AN INTEGRAL PART OF
EC CAP ON GRAINS AND DAIRY, AND IT IS SELF-DELUDING TO
THINK THE EC WOULD CONTINUE TO ABIDE BY REQUIREMENTS OF A
CODE LIMITING THOSE SUBSIDIES IF THE COMMODITY AGREE-
MENTS GIVING THEM WHAT THEY WANT IN THOSE PRODUCTS WERE
ALLOWED TO EXPIRE. THE GREY ANALYSIS, ALTHOUGH WELL
TAKEN IN PART, IS SIMPLY NOT CONVINCING. HINTON

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